14 February 1964

OCI No. 0318/64B
Copy No. 57

SPECIAL REPORT

THE EUROPEAN ATOMIC ENERGY COMMUNITY

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

NO FOREIGN DISSEM

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

DISSEMINATION CONTROLS

This document MUST NOT BE RELEASED TO FOREIGN GOVERNMENTS. If marked with specific dissemination controls in accordance with the provisions of DCID 1/7, the document must be handled within the framework of the limitation so imposed.

14 February 1964

THE EUROPEAN ATOMIC ENERGY COMMUNITY

The European Atomic Energy Community (EURATOM), one of the three supranational bodies comprising the six-nation European community, not only suffered the organizational difficulties faced by the other two, but also encountered unexpectedly rough going as a result of two developments that occurred soon after its founding in January 1958. One of these was the abrupt change from scarcity to surplus in Europe's energy picture which required EURATOM to make an equally abrupt shift in emphasis from power production to research. The other is the generally antagonistic attitude taken by Gaullist France. EURATOM has made a useful, although probably not vital, contribution to European integration, and it now appears to be on a viable basis. However, its future is clouded by the continuing difficulties with France, by some problems in its relations with the US, and by the possibility of its merger with the Coal and Steel Community (CSC) and the European Economic Community (EEC)--the Common Market.

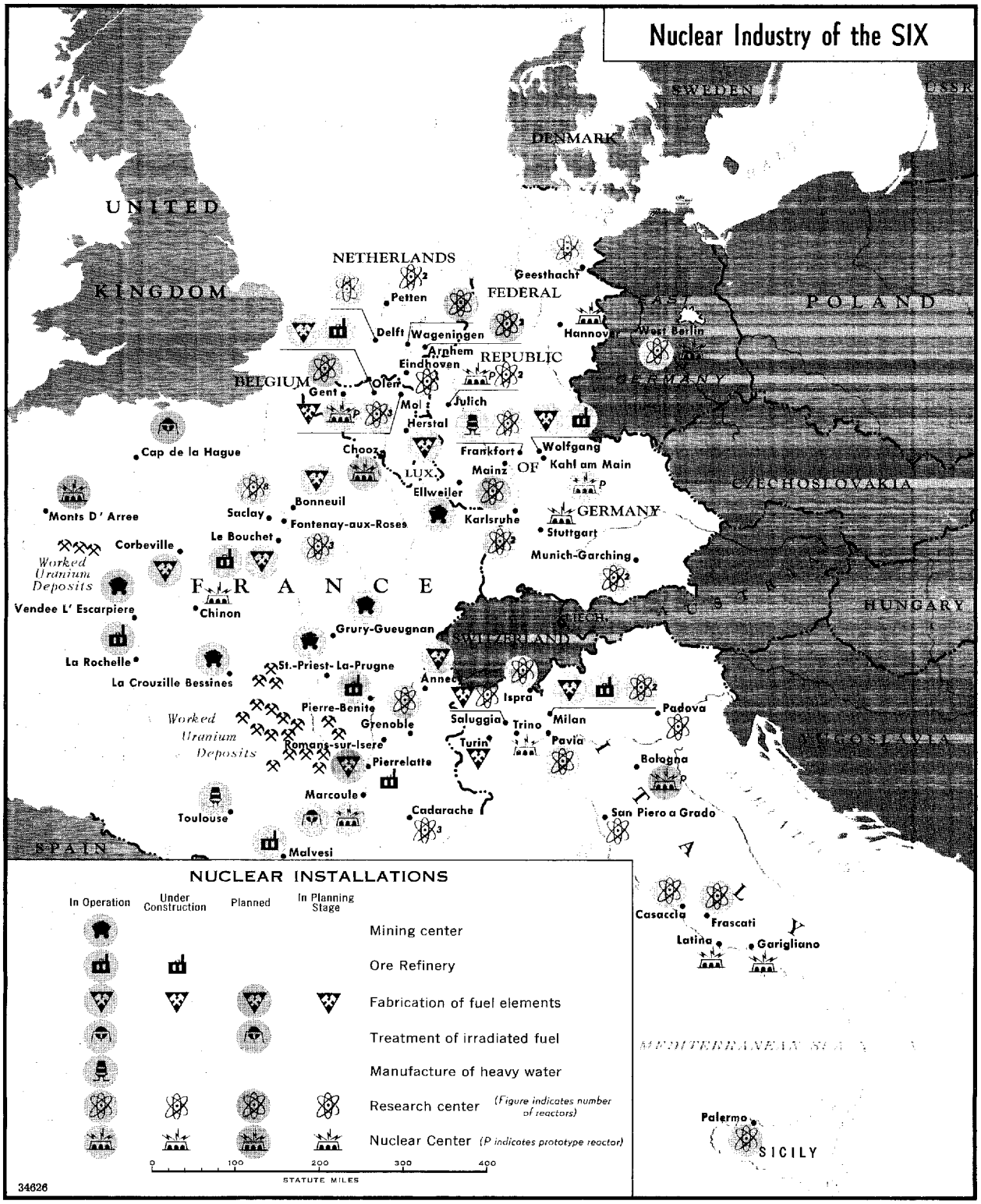
Europe's Energy Needs

The first steps toward the creation of EURATOM were taken at the Messina Conference in Italy in mid-1955 when the Common Market negotiations were also launched. A part of the effort to revive the integration movement after the collapse of the European Defense Community (EDC), EURATOM was the brain child of France's Jean Monnet, who saw in a nuclear pool a chance to repeat the success he had achieved with the Coal and Steel Community--i.e., to promote Europe's unity by progressively integrating its key industries.

The Suez crisis (fall of 1956) pointed up Europe's dangerously heavy reliance on fuel sources in the Middle East. A committee of "three wise men" analyzed this energy deficit in great detail in 1956 and early 1957, and its report--released after the EURATOM treaty was signed--recommended that the six members plan to achieve by 1967 an installed nuclear power capacity of 15 million kilowatts. EURATOM thus far has come nowhere near attaining this goal. Present capacity in the community is 400,000 kilowatts, as compared with current US installed nuclear power capacity of about one million kilowatts.

US-EURATOM Agreement

Despite the broader objectives set forth in the EURATOM treaty, the acute awareness of its leaders to power needs led them to concentrate the



CLASSIFIED MATERIAL ON REVERSE OF PAGE

organization's initial efforts on a power production program.

At the time of EURATOM's creation, France was just bringing into operation at Marcoule the first reactor on the Continent. The US was eager to offer both financial incentives and cooperation to support a crash reactor program. Because of the apparently considerable differences between US and European energy costs and needs, EURATOM offered opportunities for experimentation with and perfection of reactors not economically practicable in the US. It was also believed that a sizable reactor program for EURATOM would assure future markets for US know-how, nuclear materials, and equipment.

The result of this presumed mutuality of interests was the conclusion in 1958 of a US-EURATOM cooperation agreement, designed to start EURATOM toward meeting the power production goals set forth in the "wise men's" report. The US offered to supply nuclear fuels, technical knowledge, and loans to community firms prepared to build power reactors. EURATOM and the US agreed to finance jointly a research program based on these reactors and to share any advances thus made in technology.

Cutbacks and Adjustments

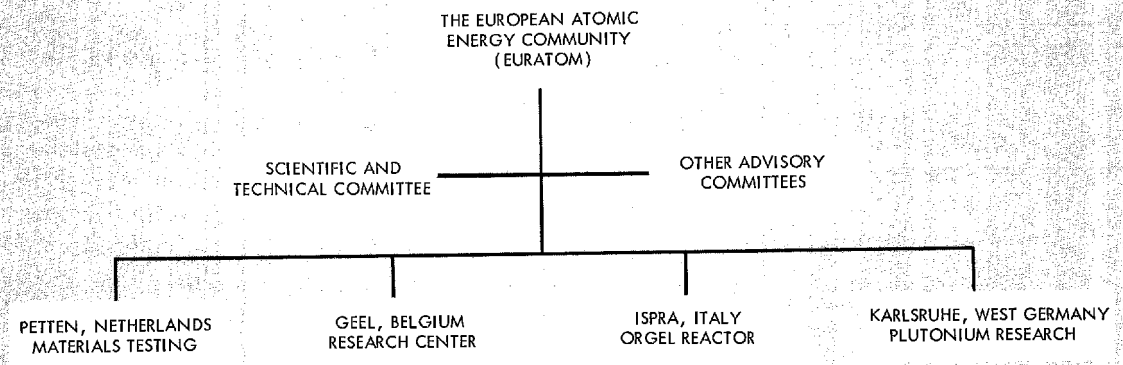
Shortly after the conclusion of the US-EURATOM agreement, however, the apparent need for accelerated development of nuclear energy disappeared. Increased availabilities of cheaper fuel oil and natural gas and some leveling off in anticipated energy requirements had produced a serious crisis in the CSC as early as 1959. As a result, the construction of nuclear power plants was no more attractive to European firms under the terms of the US-EURATOM agreement than their construction had been to private companies in the US. In 1960, only one applicant--an Italian firm--submitted a project qualifying for joint aid. In September 1961, a French-Belgian concern and a West German firm submitted projects but even this response was far below initial expectations.

EURATOM has since been painfully adjusting to these market realities, in part through cutbacks in the initial program and in part by shifting to the development of reactors which might be competitive within the next decade. For example, in cooperation with Canada, the EURATOM Commission decided to work on a so-called ORGEL line of reactors, using natural uranium and a heavy water moderator --a method pioneered by Canada.

More recently, EURATOM in cooperation with national programs in France and West Germany has become primarily interested in work on a "fastbreeder" reactor. The French facility at Cadarache, for example, is proceeding with the development of this technique.

CONFIDENTIAL

WESTERN EUROPEAN MULTINATIONAL SCIENTIFIC COOPERATION UNDER THE EUROPEAN ATOMIC ENERGY COMMUNITY, 1963



DISTRIBUTION OF EURATOM'S 1963-67 RESEARCH BUDGET

FACILITY		AMOUNT AUTHORIZED (In millions of dollars)
RESEARCH CENTERS		127.0
Ispra (exclusive of ORGEL project)	$72	
Karlsruhe	25	
Petten	19	
Mol	11	
ORGEL project		57.0
Fast reactors		73.0
Advanced gas reactors		25.0
EURATOM		
Belgian association contract on the utilization of Belgian test reactor BR-2		12.0
High-flux reactor, to await definite proposals		
Treatment of effluent		5.0
Reprocessing of fuels		14.0
New reactor types (homogeneous suspension and possible "fog" types)		9.0
Proved reactor types (water and gas-graphite) and general economic studies		29.5
Marine surface propulsion		7.5
Industrial bureau of isotopes and radioisotope research and development		5.0
Fusion		31.0
Biology and health protection (EURATOM commission will also coordinate national programs in this field)		17.5
Instruction and education		3.0
General documentation		9.5
Total		425.0

CONFIDENTIAL

640124 3A

The Research Program

After curtailing its initial reactor program, EURATOM has placed primary emphasis on community research. It now has established four research facilities built in large part on the foundations of the national programs. The most important of these is the center at Ispra, Italy, which employs 1,100 people and concentrates on research in power reactors using natural uranium as fuel and a heavy water moderator--i.e., the ORGEL series.

The Ispra center has faced political and administrative problems. For example, Italy did not transfer control of the facility to EURATOM until 1962, although it had agreed to do so by 1959. Subsequently there has been some friction among the member countries over the sharing of costs at the center and over alleged French domination of its operations.

The three other community research facilities are the former Dutch installation in Petten, a nuclear measurements laboratory at Geel (near Mol) in Belgium, and the plutonium research center at Karlsruhe in Germany. In addition, EURATOM sponsors research through contracts with other organizations, and has exchange and/or research agreements with the US, the UK, Canada, Argentina, and Brazil. (See chart for research facilities and activities.)

The increase of EURATOM's 1963-67 budget to $425 million is to be applied almost entirely to stepped-up research. Emphasis is placed on the operations at Ispra and the fast reactor programs at Karlsruhe and Cadarache. This year's budget, however, encountered rough sledding when France voted against expenditures of $94 million for 1964. Although the budget was narrowly approved with the votes of the other members, the French stand raises some doubts about future EURATOM appropriations for research.

Nuclear Supplies

In meeting the needs of the member states for fissionable materials, EURATOM has not functioned precisely as envisaged. The EURATOM treaty provides for a Supply Agency within the community structure. This agency has the option to purchase ores and nuclear raw materials produced in the community, and it is the legal owner of all special fissionable materials being used for peaceful purposes. Conceived at a time of nuclear scarcity, the agency was designed to obtain nuclear materials on behalf of the community. In practice it has tended more often to act only as middleman for needs of individual members.

In a recent effort to reinvigorate the Supply Agency, the EURATOM Commission has recommended an aggressive agency-sponsored prospecting program in the territory of the Six as well as overseas to assure community supplies of uranium. Such an effort derives further

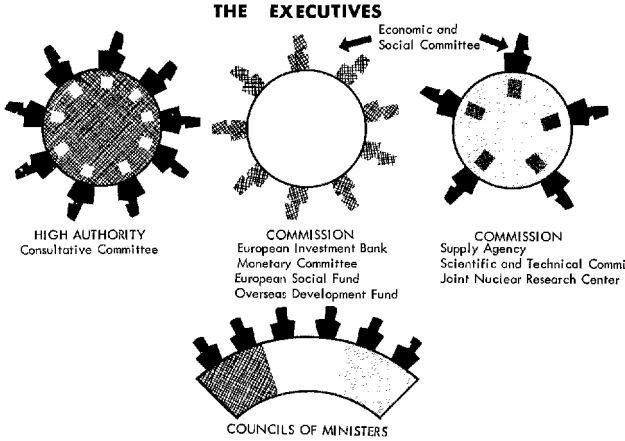
COMMUNITY INSTITUTIONS

CSC
Coal - Steel Community

COMMON MARKET
European Economic Community

EURATOM
European Atomic Energy Community

THE EXECUTIVES



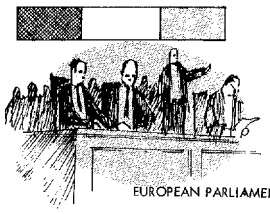
HIGH AUTHORITY
Consultative Committee

COMMISSION
European Investment Bank
Monetary Committee
European Social Fund
Overseas Development Fund

COMMISSION
Supply Agency
Scientific and Technical Committee
Joint Nuclear Research Center

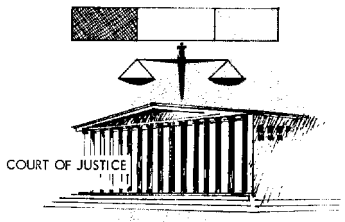
COUNCILS OF MINISTERS

DEMOCRATIC CONTROL



EUROPEAN PARLIAMENT

JUDICIAL CONTROL



COURT OF JUSTICE

CONFIDENTIAL

THE COMMISSION

The EURATOM Commission is the executive body responsible for carrying out the EURATOM treaty. It prepares proposals on which the Council of Ministers takes decisions, keeps a day-to-day watch on all aspects of the Community's work, and plans its future development. The Commission consists of five members, independent of national governments; it takes its decisions by majority vote and is answerable to the European Parliament. The Officers of the Commission are: Pierre Chatenet (France), President, and Prof. Enrico Medi (Italy), Vice President.

THE COUNCIL OF MINISTERS

The Council ensures coordination between national policies and the policy of the Community. A member of each government attends its meetings. It is usually the Council that takes the final decisions, but it does so on proposals from the Commission. Such proposals can only be modified by unanimous vote. Most Council decisions are taken in unanimity, but in some cases a weighted majority vote is employed.

CONSULTATIVE BODIES

The Scientific and Technical Committee of 20 experts (scientists and leaders of the atomic industry) which advises the Commission on scientific and technical problems.

The Economic and Social Committee of 101 members, representing all sides of the Community's economic and social life: producers, consumers, business interests, workers, and the professions. One section specializes in nuclear problems. This Committee serves both EURATOM and the Common Market and acts as a consultative body for the Commissions and the Councils.

The Consultative Committee for Research, which has been set up by the Council to bring together national experts and members of the Commission to discuss the Community research program. It meets under the chairmanship of the Commission's President.

THE EUROPEAN PARLIAMENT

The 142-member Community Parliament, which at present meets in Strasbourg, exercises limited democratic control over EURATOM, the CSC, and the Common Market. Its members are at present appointed by and from the parliaments of member countries.

The Commission must report annually to the Parliament, which can remove it from office on a vote of censure, passed by a two-thirds majority. The Parliament must be consulted before certain specific decisions are taken, and it has the right to scrutinize EURATOM's budget.

THE COURT OF JUSTICE

The Court of Justice ensures the observance of law and justice in the interpretation and application of the Community Treaties. Its seven judges, who sit in Luxembourg, have sole power to uphold or annul decisions of the Executives. Their judgments are binding on all parties including individuals, firms, national governments and the Executives themselves.

640124 3B

importance from the fact that the Supply Agency's function is closely related to community arrangements designed to assure that nuclear materials are not diverted from peaceful to military uses.

France and EURATOM

Because of the comparatively advanced state of its nuclear technology, France's relations with EURATOM have been strained and further aggravated by the broad political objectives of De Gaulle.

Prior to the creation of EURATOM, France alone among the Six had developed a nuclear industry, and it continues to be the leader in nuclear research and development among the members. While giving full support to certain EURATOM projects of interest to Paris, De Gaulle has given priority to the French national program.

French disillusionment with EURATOM stems in part from the organization's initial willingness to rely on outside suppliers for nuclear material. Particularly unpalatable to France is the high degree of influence the US has exercised over EURATOM as its major supplier and US insistence on certain safeguards and security arrangements to ensure that nuclear materials released to EURATOM would be restricted to peaceful uses. EURATOM and French officials were generally offended that the US did not subject the UK to similar restrictions.

The French attitude has been particularly troublesome with respect to the treaty provision requiring member states to account to EURATOM for their nuclear fuels, excepting those fuels being "specially prepared" for weapons. Since Paris contends that all the plutonium production at Marcoule is earmarked for weapons use, it has refused for reasons of national security to provide EURATOM with information on production. EURATOM officials have been afraid to press the point through legal channels because of French warnings of the serious consequences to the community.

In addition, France has demonstrated a preference for bilateral nuclear arrangements, probably to escape EURATOM's controls and to determine for itself the type of work most suitable for the French program. An example of this is the cooperation agreement between the French and West German nuclear energy agencies with regard to certain reactors.

Among other members of the Six, Paris has been particularly annoyed with the EURATOM Commission's exercise of its power to negotiate international agreements outside the community--negotiations which have provoked charges that the Commission considers itself a "seventh power." Earlier this year France, taking advantage of the general belief that the agreements with

Brazil and Argentina were nothing more than aid programs, persuaded the other members to make a study of the Commission's authority to conduct foreign relations on behalf of the community.

Paris contends that the Commission does not have the power itself to conclude international agreements, except those of a technical nature, or to review bilateral agreements between national atomic energy agencies. On the other hand, EURATOM officials argue that the treaty grants the community broader powers than the French concede. If the French view prevails, there will be increased opportunity for Paris to circumvent EURATOM and probably a reaffirmation of the right of member countries to arrange bilateral agreements with nonmembers.

De Gaulle also displayed his disdain for the independence of EURATOM by forcing the replacement in 1962 of its president, Etienne Hirsch, who allegedly exclaimed on one occasion that the "French president of EURATOM is not necessarily at the service of France." Pierre Chatenet, his capable but nonsupranationalist successor, has the difficult task of trying to please Paris while at the same time fulfilling the treaty requirement for an independent executive.

Relations with the US

The Commission has recognized the importance of cooperation with the US, the leader in the nuclear field. It is also aware that a substitution of bilateral national agreements for US arrangements with the community would be a major political reverse. Nevertheless, since mid-1960 US-EURATOM relations have been marked by periods of noticeable coolness.

The first serious trouble began with the US-EURATOM Additional Agreement of June 1960, by which the US made available only 140 kilograms of enriched uranium--much less than EURATOM had expected. Furthermore, a modification of the broad permissive wording of the initial US-EURATOM agreement of 1958 restricted the use of the material to the ORGEL program. The European press in general reacted bitterly to the new terms and considered the adjournment of the US Congress before ratifying the agreement an added injury.

A long-standing difficulty in US-EURATOM relations which is particularly acute at present involves the financial terms under which the US will supply nuclear material to the community for its fast reactor program. Because it is extremely costly to purchase fissionable material outright, EURATOM decided that the treaty permitted the leasing of reactor fuels to the constructing firms and has since been trying to lease plutonium and enriched U-235 from the US.

Although the US has maintained it can only sell plutonium,

it now appears that a compromise may be reached. It would include an arrangement whereby EURATOM would purchase most, if not all, of its plutonium from the US. U-235, however, would be obtained on a short-term lease in the expectation of outright purchase from the US around 1968 (i.e., when EURATOM's next five-year budget is shaping up). Unless EURATOM can obtain enriched uranium and plutonium by March, there will be serious delay on the fast reactor projects of high priority now under construction.

France generally opposes such US-EURATOM arrangements since it believes the US is the principal beneficiary and because it is contesting the Commission's powers in foreign relations. Paris has already hinted that difficulties with the US are an additional reason for Europe to develop self-sufficiency in key nuclear materials. This position is reinforced by France's scheduled production of enriched U-235 in 1966. France may therefore oppose EURATOM agreement to lower tariff barriers on nuclear materials at the forthcoming Kennedy Round talks in Geneva.

[redacted]

25X6

[redacted]

25X6

Reactions from the USSR

The Soviet Union launched its propaganda against EURATOM as soon as its plans for the organization had materialized. Moscow warned West Germany that its membership would make German unification impossible, and cautioned France that EURATOM would in effect mean German domination. The Soviets continue to profess skepticism as to the peaceful nature of EURATOM, are suspicious of the close ties it has developed with the US, and have waged a long and thus far successful campaign to keep EURATOM outside the UN's nuclear agency, the IAEA.

Outlook

Although there is no precise standard for measuring

results thus far, EURATOM has made both direct and indirect contributions to European integration. Its reactor and other programs have registered advances commensurate with the resources of the Six, especially considering the problems of coordination and the economic obstacles which have arisen. Despite internal strains springing from conflicting national interests and shortfalls in its power production goals, EURATOM has been instrumental in broadening the nuclear power industry in the community; its research program has the potential of making important contributions to nuclear technology. There may also be substantial future dividends from the contacts which it has encouraged among scientists and technicians of the member countries.

EURATOM's role in the integration of Europe is somewhat confined by the specialized and advanced field in which it operates. If plans now under consideration to merge it with the EEC and the CSC should materialize, EURATOM would most likely continue as a kind of specialized agency of a more general European organization. There is no reason to believe that the advantages of integration are likely to decline in the nuclear field, even though the functional route to European integration--as typified by the CSC and EURATOM--gives way to a broader approach. (SECRET NO FOREIGN DISSEM)

* * *